

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-07 /103 W
-----083098 132311Z /20

P 132258Z SEP 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 4734
INFO AMCONSUL MONTREAL
ALL OTHER CONGENS IN CANADA POUCH

C O N F I D E N T I A L OTTAWA 08277

PASS WHITE HOUSE FOR SECRETARY SCHLESINGER AND GOLDMAN,
FEA AND FPC

E.O. 11652: GDS
TAGS: ENRG, CA
SUBJECT: ENERGY MINISTER GILLESPIE CONSIDERING POLICIES
TO EXPAND DOMESTIC GAS MARKET TO EASTERN CANADA

1. SEPTEMBER 13 GLOBE AND MAIL REPORT SAYS THAT ENERGY,
MINES AND RESOURCES MINISTER ALASTAIR GILLESPIE IS CON-
SIDERING APPLICATION OF CURBS ON OIL IMPORTS TO STIMULATE
USE OF SURPLUS ALBERTA NATURAL GAS IN EASTERN CANADA.
EASTERN MARKETS FOR WESTERN CANADIAN GAS SHOULD BE
DEVELOPED, GILLESPIE SAID, TO REDUCE DEPENDENCE ON
IMPORTED OIL AND PREPARE MARKET FOR GAS FROM ARCTIC
ISLANDS. HE ADDED THAT AS MATTER OF "NATIONAL POLICY"
GOC SHOULD EXAMINE ECONOMICS OF EXTENDING EXISTING
PIPELINE SYSTEM TO MARITIME PROVINCES. COMMENTING ON
NATIONAL ENERGY BOARD (NEB) SUGGESTION THAT SHORT-TERM
SURPLUS BE SWAPPED FOR ALASKAN GAS LATER, GILLESPIE SAID
GOC CONSIDERATION OF SUCH SWAPS WOULD HAVE TO ACCOUNT
FOR OTHER POSSIBLE PRIORITIES, INCLUDING DEVELOPMENT
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OF EASTERN MARKETS FOR GAS.

2. GILLESPIE'S COMMENTS APPEARED ALONG WITH OTHER
GLOBE AND MAIL REPORT THAT CANADIAN PETROLEUM ASSOCIATION
IS URGING GOC TO ADOPT POLICIES TO ENCOURAGE GREATER USE
OF NATURAL GAS IN CANADA AND LARGER SHORT-TERM EXPORTS
TO U.S.

3. COMMENT: NEB SENIOR ADVISOR STAN IRONSTONE (NATURAL GAS) TOLD EMBOFF THAT GILLESPIE'S COMMENTS ARE TRIAL BALLOON TO TEST RESPONSE TO POSSIBLE EXTENSION OF DOMESTIC GAS TRANSPORTATION SYSTEM BEYOND MONTREAL TO "HELP NATIONAL UNITY." IRONSTONE SEES POSSIBLY INSURMOUNTABLE PROBLEM IN PRICING GAS FOR EXTENDED EASTERN MARKET. GAS SHIPPED TO MONTREAL IS SUBSIDIZED (MONTREAL PAYS TORONTO CITY-GATE PRICE) AND GAS SHIPPED FURTHER EAST WOULD REQUIRE HIGHER TRANSPORTATION SUBSIDY WHICH WOULD REDUCE NET BACK TO ALBERTA. PRODUCERS, OF COURSE, WOULD BALK AT THIS. IRONSTONE BELIEVES MORE PRACTICAL SOLUTION WOULD BE TO SWAP ALBERTA GAS FOR LNG TO BE DELIVERED TO EASTERN CANADA VIA PROPOSED TENNECO TERMINAL. ENDERS

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